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SUBJECT: NIGERIA: UPDATE ON FATF MONEY LAUNDERING REVIEW

REF: ABUJA 12345

1.(SBU) Since Ambassador Jeter's August 29 meetings with President Obasanjo and Presidential Advisors Stephen Oronsaye and Obi Ezekwesili, the Government of Nigeria has moved quickly in an attempt to repair its bad reputation with the Financial Action Task Force.

2.(SBU) On August 30 President Obasanjo wrote to FATF President Sanio, detailing a number of steps to be taken in the coming weeks, including new Central Bank of Nigeria (CBN) guidelines for reporting by financial institutions and a planned visit to the FATF's Africa and Middle East Review Group (AMERG) in Rome in mid-September.

3.(SBU) On August 31, President Obasanjo sent letters to the President of the Senate and the Speaker of the House of Representatives, depicting the dire situation Nigeria is in vis-a-vis the FATF and urging the legislature to enact the draft Financial Crimes Commission bill introduced in November 2001.

4.(SBU) During a September 4 conversation with the President's Principal Secretary, Stephen Oronsaye, the Ambassador warned that the GON might need to explain to the FATF's AMERG in writing and in advance of any face-to-face meeting in Rome, tangible steps the GON has taken or will take imminently to address the FATF concerns on Nigeria's lax money laundering controls. Without such advance notice of tangible progress, the AMERG may turn down a GON request to meet in Rome in mid-September, Jeter noted. Oronsaye took this on-board and promised to provide a document to the AMERG Chairman in the coming days. RNLEO delivered the same message to the Attorney General on September 5.

5.(SBU) The Presidency held an inter-agency meeting at the Villa the morning of September 5 to produce a strategy for resolving the FATF crisis. It was agreed that Attorney General Kanu Agabi would lead a delegation to Rome in mid-September, after the Central Bank issues new "circulars" or regulations tightening reporting requirements on Nigeria's banks as well as increasing the threat of penalties for failure to abide by these circulars and existing regulations.

6.(U) The front page of the September 6 "Punch" (major English-language daily) carried the following article under the headline, "FG Expresses concern over Financial Crimes:"

Begin text.

President Olusegun Obasanjo has expressed concern over the absence of a commission to handle matters related to anti-terrorism, economic and financial crimes in the country.

In separate letters to the Senate President Anyim Pius Anyim and the Speaker of the House of Representatives, Alhaji Ghali Umar Na'Abba, dated August 31, Obasanjo reminded the legislators that the Paris-based Financial Action Task Force (FATF), has threatened to blacklist financial institutions in Nigeria by October if nothing was done about financial crimes.

He therefore urged the National Assembly to urgently pass a bill for the establishment of a commission on anti-terrorism, economic and financial crimes, in the country. The bill was sent to the Assembly last November.

The president warned that the country's international trade and business standing would come to harm if the FATF threat was carried out.

The letter reads: "The president of the FATF has indicated that during its Plenary on 19-21 June 2002, a decision was taken to apply counter-measures against Nigeria with effect from 31 October 2002 unless we begin substantive communications with the FATF and also take significant steps to address identified deficiencies.

"He further indicated that a discussion of the Nigerian situation will be given priority during the Group's Plenary scheduled for 9-11 October 2002, expressing the hope that Nigeria would have to take substantive measures to address the observed deficiencies and thus avoid the planned counter-measures.

"I understand that the planned measures, if taken, would render difficult any financial flows to or out of Nigeria thereby putting our international trade and business transactions at risk.

"It is for this reason that I urge you and the distinguished Senators to give priority consideration to the Anti-Terrorism, Economic and Financial Crimes Commission Bill which I had earlier transmitted to you." Obasanjo said that the threat by the FATF is worsened by the fact that for a long time, Nigeria did not engage the organisation in a dialogue on what was being done to strengthen existing legislation or, where necessary, to enact new ones to combat financial crimes and related crimes. Last week, the Central Bank of Nigeria (CBN) said that Nigeria was on the list of countries considered by FATF as not co-operating in the global war against terrorism, financial and economic crimes.

"The FATF is used to pressurising various governments to ensure that money laundered do not find their way through banks. The international body has classified Nigeria as a non-cooperating country. The body has given Nigeria till October to correct this problem or else we would be in serious problem," the CBN said.

It warned against opening anonymous accounts for customers. "We want the FATF to delist the country from the list of uncooperating countries. The banks have to adhere to the rules guiding money transfer," the apex bank stated.

End Text.

7.(SBU) Comment: The President and his staff "get it" -- the threat of counter-measures from FATF members is very real and serious -- and they have responded with alacrity. Yet months of neglect are hard to repair in days and the GON will face a tough sell of its defense in Rome, if such a meeting occurs. From our contacts with the President, his immediate staff, the Attorney General and the Central Bank, we detect a sincere and unprecedented, although belated, commitment to setting this situation right.
JETER